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POLITICAL ANALYSIS: EASTERN EUROPE'S RELATIONS WITH THE
US AND THE USSR

1. BEGIN TEXT. THE GROWING DIVERSITY OF POLICIES AND ATTITUDES IN EASTERN EUROPE, GRUDGINGLY BEING TOLERATED BY THE USSR, HAS BEEN ACCOMPANIED BY STEADILY EXPANDING CONTACT

BETWEEN INDIVIDUAL COUNTRIES OF THE AREA AND THE WEST, INCLUDING THE US. SOVIET INTEREST IN THE AREA HAS NOT DIMINISHED; IT HAS SIMPLY BEEN BALANCED BY SOVIET DESIRE TO LESSEN THE ACTUAL AND POTENTIAL ECONOMIC BURDEN POSED FOR THE USSR BY ITS EAST EUROPEAN ALLIES. THE AREA AS A WHOLE PRESENTS A SERIES OF NATIONAL CASE STUDIES OF THE WAYS IN WHICH COUNTRIES LIVING IN THE SHADOW OF THE USSR CONDUCT THEIR RELATIONS WITH THE US (SEE ANNEX).

2. GENERAL RELATIONS: THE FRAMEWORK

3. THE USSR REGARDS EASTERN EUROPE AS A MILITARY, POLITICAL, AND IDEOLOGICAL BUFFER ZONE PROTECTING THE SOVIET UNION AGAINST ENCROACHMENT BY THE WEST AND AS VITAL CONFIRMATION OF SOVIET FAITH IN THE INEVITABLE VICTORY OF COMMUNISM. BUT NOT ALL EAST EUROPEAN COUNTRIES ARE FRIENDLY WITH THE USSR, AND SEVERAL HAVE GOOD-TO-EXCELLENT RELATIONS WITH THE UNITED STATES.

4. FOUR OF THE EIGHT COUNTRIES NORMALLY REGARDED AS EAST EUROPEAN--ROMANIA, POLAND, HUNGARY, AND CZECHOSLOVAKIA--HAVE COMMON BORDERS WITH THE USSR; FOUR--EAST GERMANY, LIMITED OFFICIAL USE
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BULGARIA, YUGOSLAVIA, AND ALBANIA--DO NOT. THE FIRST THREE STRIVE FOR VARYING DEGREES OF AUTONOMY WITHIN THE SOVIET SPHERE AND WANT GOOD RELATIONS WITH THE US. CZECHOSLOVAKIA, WHICH TRIES TO BE AS RESPONSIVE AS POSSIBLE TO SOVIET WISHES, HAS TAKEN NO INITIATIVES TO IMPROVE ITS STAGNANT RELATIONS WITH THE US IN RECENT YEARS. EAST GERMANY AND BULGARIA ARE PARTICULARLY DEPENDENT ON THE USSR AND HAVE HAD NO RELATIONS, OR MINIMAL RELATIONS, WITH THE UNITED STATES FOR MOST OF THE POSTWAR PERIOD. YUGOSLAVIA, WHOSE COMMUNIST REGIME IS THE ONLY ONE IN THE AREA WHICH DOES NOT OWE ITS ACCESSION TO POWER TO SOVIET MILITARY PRESENCE, HAS HAD A ROCKY RELATIONSHIP WITH THE USSR AND A SOMEWHAT SMOOTHER ONE WITH THE US. ALBANIA HAS NO RELATIONS WITH EITHER THE USSR OR THE UNITED STATES, BUT SEES THE USSR AS THE GREATER THREAT TO ALBANIA.

5. POPULAR ATTITUDES TOWARD USSR

6. POPULAR DISLIKE OF THE USSR IS PREVALENT IN MOST OF THE AREA BUT, FOR HISTORICAL REASONS, IS MOST PRONOUNCED IN THE COUNTRIES THAT SHARE A COMMON BORDER WITH THE SOVIET UNION. ANTIPATHY TOWARD THE SOVIETS, OF LONG DURA-

TION IN POLAND, HUNGARY, AND ROMANIA, NOW ALSO PERVADES CZECHOSLOVAKIA BECAUSE OF THE SOVIET ARMED SUPPRESSION OF THE "PRAGUE SPRING" IN 1968. IN POLAND AND HUNGARY, THE

PERCEPTION OF THE USSR AS A FUNDAMENTAL OBSTACLE IN THE WAY OF A MORE RATIONAL AND PRODUCTIVE ECONOMIC AND SOCIAL SYSTEM IS PARTICULARLY PRONOUNCED, NOT ONLY AMONG THE ELITE BUT ALSO AMONG WIDE STRATA OF THE GENERAL POPULATION.

7. IN CONTRAST, THE POPULATION OF THE ENTIRE AREA HOLDS THE US IN HIGH ESTEEM, AND THE REGIMES' EFFORTS TO IMPROVE RELATIONS WITH THE UNITED STATES ARE ALWAYS POPULAR.

8. EAST EUROPEAN PERCEPTIONS OF US POSTURE

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9. THE US STAKE IN EASTERN EUROPE IS OBVIOUSLY NOT AS GREAT AS THAT OF THE USSR, BUT ALL POSTWAR US ADMINISTRATIONS HAVE BEEN INTERESTED IN THE GREATEST POSSIBLE NATIONAL INDEPENDENCE OF THE COUNTRIES IN THE AREA AND IN THE MOST LIBERAL REGIMES POSSIBLE IN EACH COUNTRY. THIS BASIC ATTITUDE IS DICTATED BOTH BY US NATIONAL INTEREST AND BY THE CONCERN OF A LARGE NUMBER OF US CITIZENS OF EAST EUROPEAN ORIGIN.

10. ALTHOUGH THE PEOPLES OF EASTERN EUROPE APPRECIATE THE US POSTURE, REGIMES THAT ARE PARTICULARLY INSECURE AND DEPENDENT ON THE USSR, SUCH AS THOSE IN EAST GERMANY AND CZECHOSLOVAKIA, PERCEIVE IT AS A THREAT. IN CONTRAST, IT IS PARTICULARLY WELCOMED BY SUCH REGIMES AS THE ROMANIAN ONE, WHICH STRIVES FOR GREATER INDEPENDENCE OR AUTONOMY, AND YUGOSLAVIA, WHICH SEEKS SUPPORT FOR THE LEVEL OF INDEPENDENCE ALREADY ACHIEVED.

11. POLITICAL AND ECONOMIC TIES WITH THE USSR

12. SOVIET RELATIONS WITH EASTERN EUROPE (POLITICAL, ECONOMIC, AND EVEN MILITARY) ARE CONDUCTED ESSENTIALLY ON A BILATERAL BASIS AT PARTY-TO-PARTY AND STATE-TO-STATE LEVELS. THE USSR DOES TRY, HOWEVER, TO UTILIZE THE TWO EXISTING MULTILATERAL INSTITUTIONS--THE WARSAW PACT AND THE COUNCIL FOR MUTUAL ECONOMIC ASSISTANCE (CEMA)--AS VEHICLES FOR COORDINATION OF ITS RELATIONS WITH THE MEMBER COUNTRIES (BULGARIA, CZECHOSLOVAKIA, EAST GERMANY, HUNGARY, POLAND, AND ROMANIA), FOR FOREIGN POLICY ALIGNMENT, AND FOR DEVELOPMENT OF STRUCTURAL LINKS IN THE AREA'S ECONOMIES.

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13. ALTHOUGH EASTERN EUROPE'S TRADE TURNOVER WITH THE WEST HAS MORE THAN TRIPLED SINCE 1970, THE AREA IS AND WILL

CONTINUE TO BE ECONOMICALLY LINKED WITH THE USSR, WHICH REPRESENTS THE MAIN MARKET FOR ITS PRODUCTS AND THE PRINCIPAL SOURCE OF ITS RAW MATERIALS AND ENERGY. THESE LINKS ARE IMPORTANT POLITICALLY TO THE USSR AS LEVERAGE AND CONTROL MECHANISMS.

14. AT THIS TIME, THE USSR ACCOUNTS FOR ABOUT ONE-THIRD OF THE TRADE OF CZECHOSLOVAKIA, HUNGARY, EAST GERMANY, AND POLAND; MORE THAN 50 PERCENT OF THAT OF BULGARIA; AND LESS THAN 20 PERCENT OF THAT OF ROMANIA. SINCE THE MID-1960S, ROMANIA--A MAJOR OIL PRODUCER--HAS MADE A CONCERTED EFFORT TO EXPAND ITS ECONOMIC RELATIONS WITH THE WESTERN INDUSTRIALIZED AND DEVELOPING COUNTRIES. AS A RESULT, ROMANIA HAS BEEN ABLE TO REDUCE SUBSTANTIALLY ITS TRADE DEPENDENCE ON THE USSR. WITH THE BOOM IN EAST-WEST TRADE IN THE 1970S, THE OTHER EAST EUROPEAN CEMA MEMBERS ALSO REDUCED THEIR DEPENDENCE, BUT THE SOVIET TRADE SHARE HAS NEVERTHELESS REMAINED LARGE.

15. THE USSR IS AN INDISPENSABLE TRADE PARTNER FOR EASTERN EUROPE BECAUSE IT IS THE PRINCIPAL SUPPLIER OF RAW MATERIALS, IN PARTICULAR OIL AND GAS, TO THE GENERALLY RESOURCE-POOR EAST EUROPEAN COUNTRIES. IN ADDITION, INTRA-CEMA TRADE IS BASED ON BILATERAL CLEARING AGREEMENTS WHICH TEND TO OVERPRICE EAST EUROPEAN MACHINERY EXPORTS AND UNDERPRICE SOVIET RAW MATERIALS. IN RECENT YEARS THE SOVIET UNION HAS PERMITTED ITS CEMA TRADING PARTNERS TO RUN LARGE DEFICITS IN BILATERAL TRADE TO EASE THEIR ADJUSTMENT TO HIGHER SOVIET OIL PRICES, WHICH ARE BEING SLOWLY INCREASED TO WORLD MARKET LEVELS. EASTERN EUROPE IS ALSO BECOMING TIED MORE CLOSELY TO THE USSR THROUGH LARGE INVESTMENTS IN JOINT RAW MATERIAL AND ENERGY PROJECTS IN THE USSR, INDUSTRIAL COOPERATION AND SPECIALIZATION AGREEMENTS, AND COORDINATION OF LONG-TERM ECONOMIC PLANNING.

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16. SOVIET ECONOMIC RELATIONS WITH YUGOSLAVIA ARE ALSO CLOSE. THE USSR ACCOUNTS FOR ABOUT 18 PERCENT OF YUGOSLAV TRADE, A SHARE THAT HAS BEEN GROWING IN RECENT YEARS. THE SOVIETS SUPPLY A WIDE RANGE OF RAW MATERIALS TO YUGOSLAVIA AND ARE ALSO INVOLVED IN LARGE PROJECTS THERE. THERE IS NO SOVIET-ALBANIAN TRADE.

17. US ECONOMIC RELATIONS WITH EASTERN EUROPE

18. US EXPORTS TO THE SIX CEMA MEMBER-COUNTRIES OF EASTERN EUROPE HAVE INCREASED ABOUT TENFOLD SINCE 1971, PRIMARILY

AS A RESULT OF INCREASED AGRICULTURAL GOODS EXPORTS. THE US HAS BECOME A MAJOR SUPPLIER OF GRAIN TO CZECHOSLOVAKIA, POLAND, AND EAST GERMANY, SUPPLYING THE GRAIN THAT THE

SOVIET UNION HAS BEEN UNABLE TO DELIVER IN RECENT YEARS. BUT DESPITE AGRICULTURAL SALES ON THE ORDER OF DOLS 800 MILLION TO DOLS 1 BILLION ANNUALLY IN THE LAST TWO YEARS, THE US SHARE OF EAST EUROPEAN TRADE HAS NOT EXPANDED GREATLY BECAUSE OF THE CONTINUED LOW US IMPORTS FROM EASTERN EUROPE AND THE EXPANSION IN EAST EUROPEAN TRADE SINCE 1970, PARTICULARLY WITH THE WEST.

19. THE UNITED STATES' SHARE OF ANY WARSAW PACT COUNTRY'S TOTAL TRADE HAS RANGED FROM 1 TO 4 PERCENT. THE US SHARE OF ROMANIAN AND POLISH TRADE HAS BEEN MAINTAINED AT ABOUT 4 PERCENT, PRIMARILY BECAUSE BOTH POLAND AND ROMANIA ENJOY MOST-FAVORED-NATION (MFN) TRADE STATUS WITH THE UNITED STATES AND BECAUSE POLAND HAS PURCHASED LARGE QUANTITIES OF US GRAIN IN RECENT YEARS. WHEN HUNGARY IS GRANTED MFN STATUS, AS A RESULT OF CONGRESSIONAL APPROVAL OF THE RECENTLY CONCLUDED TRADE AGREEMENT, THE US SHARE OF HUNGAR-
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IAN TRADE SHOULD ALSO INCREASE MODERATELY. FROM THE US POINT OF VIEW, TRADE WITH EASTERN EUROPE HAS VERY LITTLE IMPACT SINCE IT ACCOUNTS FOR ONLY ABOUT 1 PERCENT OF TOTAL US TRADE.

20. WEST EUROPEAN COUNTRIES HAVE MUCH GREATER ECONOMIC INTERESTS IN THE AREA. THE US IS LESS INVOLVED FINANCIALLY IN EASTERN EUROPE THAN, FOR EXAMPLE, THE UNITED KINGDOM, FRANCE, OR THE FEDERAL REPUBLIC OF GERMANY. ALTHOUGH US BANKS HAVE BEEN ACTIVE IN LENDING TO EAST EUROPEAN COUNTRIES, THE AREA'S DOLS 32 BILLION NET HARD CURRENCY DEBT IS HELD PRIMARILY BY WESTERN EUROPE, WITH THE UNITED STATES HOLDING ONLY 16 PERCENT.

21. US ECONOMIC RELATIONS WITH YUGOSLAVIA ARE MORE DEVELOPED THAN WITH THE CEMA MEMBER-COUNTRIES. THE UNITED STATES ACCOUNTS FOR ABOUT 6 PERCENT OF YUGOSLAVIA'S TRADE, AND US EXPORTS INCLUDE A WIDE VARIETY OF PRODUCTS INCLUDING ADVANCED TECHNOLOGY GOODS. US COMPANIES ARE ALSO ACTIVELY INVOLVED IN JOINT VENTURES AND HOLD EQUITY INVESTMENT IN YUGOSLAVIA. END TEXT.

22. BEGIN ANNEX. ANNEX: EAST EUROPEAN RELATIONS WITH US AND USSR, BY COUNTRY

23. WARSAW PACT AREA

24. ROMANIA. US-ROMANIAN RELATIONS DID NOT BEGIN TO MATURE UNTIL 1969, WHEN, IN THE AFTERMATH OF ROMANIA'S NON-PARTICIPATION IN THE CZECHOSLOVAK INVASION, PRESIDENT NIXON VISITED BUCHAREST. THAT VISIT, THE FIRST BY AN AMERICAN PRESIDENT TO EASTERN EUROPE, SYMBOLIZED US APPROVAL OF

ROMANIA'S EVOLVING INDEPENDENT COURSE AND INITIATED WHAT WAS TO BECOME A "SPECIAL RELATIONSHIP" BETWEEN THE TWO STATES.

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25. BY THE LATE 1960S ROMANIA HAD FORGED A FOREIGN POLICY OF PARTIAL ALIGNMENT--REMAINING WITHIN THE BLOC BUT OFTEN ACTING INDEPENDENTLY OF IT. THE UNITED STATES WAS APPROACHED BY BUCHAREST (ALONG WITH WESTERN EUROPE, THE THIRD WORLD, AND OTHER INDEPENDENT COMMUNIST STATES/PARTIES) IN ITS SEARCH FOR POLITICAL AND ECONOMIC SUPPORT THAT WOULD COUNTER-BALANCE SOVIET INFLUENCE.

26. WASHINGTON HAS RESPONDED POSITIVELY TO THE ROMANIAN COURSE. AS A RESULT,

(A)--US-ROMANIAN TRADE, NOW VALUED AT ABOUT DOLS 500 MILLION ANNUALLY, IS TARGETED TO REACH DOLS 1 BILLION BY 1980;

(B)--ROMANIA HAS RECEIVED MFN AND EXPORT-IMPORT BANK CREDITS;

(C)--A CONSULAR CONVENTION AND MAJOR SCIENTIFIC AND CULTURAL AGREEMENTS HAVE BEEN CONCLUDED; AND

(D)--HIGH-LEVEL VISITS HAVE BECOME FREQUENT, WITH US PRESIDENTIAL VISITS TO ROMANIA IN 1969 AND 1975 AND VISITS BY PRESIDENT CEAUSESCU TO WASHINGTON IN 1970, 1973, 1975, AND 1978.

THE APRIL 1978 MEETINGS BETWEEN PRESIDENTS CARTER AND CEAUSESCU RENEWED AND REAFFIRMED US SUPPORT FOR ROMANIA BUT ALSO MADE IT CLEAR THAT ROMANIA'S HUMAN RIGHTS RECORD WAS OF CONCERN TO THE US. ROMANIA, ALONG WITH POLAND, HAS THE MOST ACTIVE AND DIVERSIFIED TIES WITH THE UNITED STATES OF ANY WARSAW PACT STATE.

27. THE ROMANIAN-USSR RELATIONSHIP IS ONE OF ALTERNATING
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COOPERATION AND DISAGREEMENT, WITH BUCHAREST NEVER OVER-

STEPPING THE LINE OF SOVIET TOLERANCE BUT ALWAYS PUSHING TO EXPAND THE AREAS OF ITS INDEPENDENT ACTIVITY. FOR ROMANIA, THE USSR HAS BEEN AND IS THE MAJOR IMPEDIMENT TO ITS DESIRE TO BECOME A FULLY DEVELOPED AND INDEPENDENT STATE. BUCHAREST RECOGNIZES THAT MOSCOW'S HISTORICAL TENDENCY HAS BEEN

TO SACRIFICE ROMANIA TO SOVIET INTERESTS, AND FROM THIS RECOGNITION SPRINGS THE ROMANIAN CHALLENGE TO SOVIET DOMINATION.

28. ON BALANCE, ROMANIA HAS BEEN RELATIVELY SUCCESSFUL IN LIMITING ITS DEPENDENCE ON THE USSR. POLITICALLY, ROMANIA HAS REJECTED SOVIET COORDINATION OF INTERNATIONAL COMMUNIST ACTIVITIES, ALTHOUGH RECOGNIZING THAT THERE ARE LIMITS TO HOW FAR IT CAN STRAY IN SUCH AREAS AS THE MIDDLE EAST AND EUROPEAN SECURITY. ECONOMICALLY, ROMANIA HAS REDUCED ITS DEPENDENCE ON CEMA--ESPECIALLY THE SOVIET UNION--BUT THE BLOC STILL ABSORBS A GOOD PART OF ROMANIA'S INDUSTRIAL EXPORTS, AND THE SOVIETS STILL SUPPLY THE BULK OF SOME KEY RAW MATERIALS TO ROMANIA. MILITARILY, ROMANIA HAS MINIMIZED ITS WARSAW PACT PARTICIPATION AND CONTINUES TO STRIVE TO PREVENT ITS LINKS FROM BECOMING TIGHTER.

29. POLAND. POLAND WAS THE FIRST AMONG THE WARSAW PACT COUNTRIES TO ATTEMPT A SPECIAL RELATIONSHIP WITH THE UNITED STATES. THE GOMULKA REGIME, WHICH CAME TO POWER IN 1956 WITH ONLY GRUDGING SOVIET CONSENT, PERMITTED A US PRESENCE IN POLAND WHICH FAR EXCEEDED THAT ALLOWED BY ANY OTHER WARSAW PACT COUNTRY. THE REGIME ALSO ACCEPTED SUBSTANTIAL US PL 480 AID. THE IMPROVEMENT IN RELATIONS LED TO THE EXTENSION OF MOST-FAVORED-NATION STATUS IN 1960.

30. AN EVEN MORE SUBSTANTIAL IMPROVEMENT IN US-POLISH RELATIONS FOLLOWED THE ASSUMPTION OF POWER BY PARTY SECRETARY GIEREK IN DECEMBER 1970. AS A RESULT,
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(A)--THERE HAVE BEEN A NUMBER OF HIGHEST LEVEL VISITS: BY PRESIDENTS NIXON (1972), FORD (1975), AND CARTER (1977) TO POLAND AND BY PARTY SECRETARY GIEREK (1974) TO THE US;

(B)--US-POLISH TRADE IS PROJECTED TO REACH DOLS 2 BILLION ANNUALLY BY 1980, HAVING REACHED DOLS 1.5 BILLION IN 1977.

31. THE CURRENT COMMUNIST SYSTEM IN POLAND IS A PRAGMATICALLY UNORTHODOX MIXTURE OF POLISH AND SOVIET CONCEPTS WHICH ALLOWS SOME 80 PERCENT OF AGRICULTURAL LAND TO BE FARMED BY PRIVATE PEASANTS AND ACCOMMODATES ITSELF TO A POWERFUL ROMAN CATHOLIC CHURCH. IT ALSO TOLERATES AN ASSERTIVE WORKING CLASS WHICH IN 1970 TOPPLED THE PARTY LEADER

AND IN 1976 FORCED THE REGIME TO RESCIND ITS DECISION TO INCREASE FOOD PRICES. THE SOVIET UNION GRUDGINGLY ACCEPTS POLISH INTERNAL AUTONOMY AND RECEIVES IN RETURN FAITHFUL POLISH SUPPORT IN FOREIGN POLICY, AS WELL AS A CONSIDERABLE DEGREE OF SUPPORT FOR SOVIET ECONOMIC INTEGRATION GOALS IN EASTERN EUROPE. FOR ALTHOUGH ONLY HALF OF POLAND'S

TRADE IS WITH CEMA COUNTRIES, POLAND IS VITALLY INTERESTED IN THE AREA AS A MARKET FOR ITS PRODUCTS AND HIGHLY DEPENDENT ON THE USSR FOR RAW MATERIALS.

32. HUNGARY. WITH THE EXCEPTION OF A BRIEF PERIOD BETWEEN 1953 AND THE OCTOBER 1956 REVOLUTION, HUNGARIAN-US POST-WORLD WAR II RELATIONS WERE PRACTICALLY NON-EXISTENT UNTIL THE MID-1960S. THE FIRST BREAKTHROUGH IN THE STALEMATED RELATIONS CAME WITH THE REMOVAL OF THE "HUNGARIAN QUESTION" FROM THE UNITED NATIONS AGENDA IN 1963. IN RECENT YEARS, THE KADAR REGIME HAS DISPLAYED CONSIDERABLE FLEXIBILITY IN EXPLOITING THE POSSIBILITIES OFFERED BY THE LIMITED OFFICIAL USE
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GENERAL THAW IN US-SOVIET RELATIONS.

33. FOLLOWING THE ELIMINATION OF A NUMBER OF LONGSTANDING IMPEDIMENTS DURING AND AFTER THE VISIT TO BUDAPEST BY SECRETARY OF STATE ROGERS IN 1973 (THE FIRST SUCH VISIT SINCE BEFORE WORLD WAR II), THE HUNGARIAN REGIME APPLIED STEADY BUT GROWING PRESSURE TO EFFECT THE RETURN OF THE CROWN OF ST. STEPHEN AND TO ACQUIRE MFN STATUS--THE LAST TWO REMAINING ISSUES TROUBLING US-HUNGARIAN RELATIONS. THE RETURN OF THE CROWN IN JANUARY 1978 AND THE PENDING LEGISLATION REGARDING MFN HAVE RAISED THE CLIMATE BETWEEN THE TWO COUNTRIES TO AN UNPRECEDENTEDLY HARMONIOUS LEVEL.

34. A LOYAL SOVIET ALLY, HUNGARY HAS EVOLVED OVER THE PAST TWO DECADES INTO A COUNTRY WHOSE RECORD OF INTERNAL STABILITY, RELATIVE CONSUMER SATISFACTION, AND COMPARATIVELY RELAXED CULTURAL-POLITICAL ATMOSPHERE IS ENVIED BY THE POPULATIONS OF OTHER WARSAW PACT STATES. SINCE THE SOVIET SUPPRESSION OF THE 1956 REVOLUTION, WHICH HAD BROUGHT HIM TO POWER, PARTY LEADER KADAR HAS SUCCEEDED IN CARVING OUT A REMARKABLE DEGREE OF DOMESTIC AUTONOMY BY SKILLFULLY ADJUSTING TO SOVIET FOREIGN POLICY DESIDERATA. WHILE ALL INDICATIONS POINT TO THE CONTINUATION OF EFFORTS BY KADAR TO PROBE NEW LIMITS OF SOVIET TOLERANCE, THE COUNTRY'S HEAVY RELIANCE ON SOVIET RAW MATERIALS (ESPECIALLY ENERGY) AND THE PRESENCE OF SOME 60,000 SOVIET TROOPS CONSTITUTE AN EFFECTIVE SAFEGUARD AGAINST ANY DEPARTURE BY KADAR FROM SOVIET TUTELAGE INTO OUT-AND-OUT IDEOLOGICAL DEVIANCE.

35. GERMAN DEMOCRATIC REPUBLIC. US-GDR RELATIONS WERE FORMALLY ESTABLISHED IN 1974 IN THE AFTERMATH OF THE VARIOUS OSTPOLITIK AGREEMENTS, WHICH SOMEWHAT DEFUSED THE "GERMAN QUESTION." RELATIONS BETWEEN THE GDR AND THE UNITED STATES ARE CORRECT BUT COOL IN TONE. EXCEPT FOR AN AGREEMENT ON FISHING, EAST GERMANY HAS YET TO CONCLUDE EVEN THE MOST ELEMENTARY CULTURAL, SCIENTIFIC, AND ECO-LIMITED OFFICIAL USE

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NOMIC AGREEMENTS WITH THE US. RECENTLY, HOWEVER, THERE HAVE BEEN INDICATIONS (PROPAGANDA POLEMICS NOTWITHSTANDING) THAT EAST BERLIN DESIRES A MORE PROFITABLE AND POSITIVE INTERACTION WITH THE US.

36. SUCH INTEREST ON THE PART OF EAST BERLIN SPRINGS IN LARGE PART FROM ECONOMIC NECESSITY, GIVEN THE LEADERSHIP'S NEED TO SUSTAIN ITS POLICY OF PLACATING THE POPULATION THROUGH AN EVER-RISING STANDARD OF LIVING. AT THE SAME TIME, WITH EAST GERMANY'S HARD CURRENCY DEBT MOUNTING, NEW SOURCES OF CREDIT MUST ALSO BE FOUND.

37. POLITICALLY, ECONOMICALLY, AND MILITARILY, THE SOVIET UNION DOMINATES EAST GERMANY--WHICH IT CREATED AND SUSTAINS. ALTHOUGH PARTY LEADER HONECKER'S CONSUMERIST POLICIES MAY CONTRAVENE SOVIET CRITERIA, THE PARAMETERS OF GDR ACTIVITY ARE ULTIMATELY SET IN MOSCOW IN LIGHT OF WHAT IS CONSIDERED NECESSARY FOR THE STABILITY OF THE EAST GERMAN REGIME, FOR MOSCOW'S INTERESTS IN EUROPE, AND FOR THE USSR'S RELATIONSHIP WITH THE US. THE OFFICIAL EAST GERMAN PERCEPTION OF THE USSR AS A GUARANTOR OF "GERMAN COMMUNISM," HOWEVER, CLASHES WITH THE POPULATION'S PREFERENCE FOR ALL THINGS NON-COMMUNIST AND NON-SOVIET. THE 20 SOVIET DIVISIONS IN THE COUNTRY ARE A MAJOR DETERRENT TO SUCH ASPIRATIONS.

38. CZECHOSLOVAKIA. THE MAJOR OBSTACLE TO ANY SIGNIFICANT IMPROVEMENT IN CZECHOSLOVAK-US RELATIONS IS THE LONGSTANDING IMPASSE ON THE RESOLUTION OF US PROPERTY CLAIMS AND THE RETURN OF CZECHOSLOVAK GOLD (THE LONG-GRAVEL AMENDMENT TO THE 1974 TRADE ACT). IN LARGE PART BECAUSE OF THIS IMPASSE, THE US HAS RECEIVED WORSE TREATMENT IN CZECHOSLOVAK MEDIA THAN ELSEWHERE IN EASTERN EUROPE EXCEPT FOR
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ALBANIA. THE CAUTION OF THE CONSERVATIVE (OFTEN DOGMATIC) CZECHOSLOVAK LEADERSHIP AND ITS EXCESSIVE DEPENDENCE ON THE SOVIET UNION MAKE IT UNLIKELY THAT THE REGIME WILL TAKE ANY INITIATIVES TOWARD AN IMPROVEMENT IN BILATERAL RELATIONS. HOWEVER, THE REGIME'S HOSTILITY TO THE UNITED STATES IS NOT SHARED BY THE CZECHOSLOVAK POPULATION, WHICH HAS HIGH ESTEEM FOR THE US POLITICAL/ECONOMIC SYSTEM.

39. SINCE THE FALL OF THE REFORMER ALEXANDER DUBCEK ALMOST 10 YEARS AGO, THE SOVIETS HAVE MAINTAINED TIGHT CONTROLS OVER CZECHOSLOVAKIA. THIS TASK HAS BEEN FACILITATED BY THE STRENGTH OF THE PRO-SOVIET HARDLINERS IN THE

LEADERSHIP--WHOSE REPRESSIVE POLICIES SEEM TO BE AN EMBARRASSMENT TO OTHER EAST EUROPEAN REGIMES, AND AT TIMES EVEN TO THE SOVIETS. UNTIL THE 1968 INVASION THERE WAS NO ABIDING ANTI-RUSSIAN, ANTI-SOVIET FEELING AMONG THE CZECHOSLOVAK POPULATION; SINCE THEN, HOWEVER, THE POPULAR IMAGE OF THE SOVIETS HAS SUFFERED CONSIDERABLY.

40. BULGARIA. THE BULGARIAN APPROACH TO THE UNITED STATES IS LARGELY CONDITIONED BY BULGARIA'S STATUS AS MOSCOW'S MOST OBSEQUIOUS ALLY AND AS AN ALMOST COMPLETE ECONOMIC DEPENDENT OF THE CEMA BLOC. FOR THE KREMLIN'S BENEFIT, THE ZHIVKOV REGIME GOES TO GREAT LENGTHS TO NURTURE THIS IMAGE OF LOYALTY THROUGH THE SHARPNESS OF ITS ANTI-AMERICAN COMMENT AND THE DEFENSIVENESS OF ITS ATTITUDE TOWARD WESTERN INFLUENCES THAT COULD UNDERMINE STABILITY. AS A RESULT, US-BULGARIAN TIES HAVE TENDED TO DEVELOP ONLY AT A GLACIAL PACE. RECENTLY, HOWEVER, THE BULGARIANS HAVE MOVED TO TAKE ADVANTAGE OF THE OPPORTUNITIES OFFERED UNDER THE EAST-WEST DETENTE, PARTICULARLY WITH AN EYE TO INCREASED TRADE AND IMPORT OF TECHNOLOGY.

41. ALTHOUGH BULGARIA'S APPROACHES TO THE UNITED STATES CONTINUE TO BE BURDENED BY LACK OF AMERICAN INTEREST IN BULGARIAN PRODUCTS, LACK OF MFN, AND AN UNPRECEDENTED LIMITED OFFICIAL USE
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BULGARIAN HARD-CURRENCY INDEBTEDNESS TO THE WEST, THE BULGARIANS HAVE RECENTLY SIGNED SEVERAL AGREEMENTS IN CULTURAL AND SCIENTIFIC-TECHNICAL FIELDS. THE NEW BULGARIAN EXPRESSION OF DESIRE FOR POLITICAL EXCHANGES AND ECONOMIC DEALS AUGURS WELL FOR A CONTINUING UPSWING IN BILATERAL RELATIONS.

42. NON-WARSAW PACT COUNTRIES

43. YUGOSLAVIA. A MARKED IMPROVEMENT IN THE GENERALLY GOOD, BUT AT TIMES DIFFICULT, US-YUGOSLAV RELATIONSHIP HAS TAKEN PLACE SINCE THE MAY 1977 VISIT TO BELGRADE OF VICE PRESIDENT MONDALE; THIS IMPROVEMENT WAS CAPPED BY THE STATE VISIT OF PRESIDENT (AND PARTY LEADER) TITO TOWASHINGTON LAST MARCH. BOTH YUGOSLAV OFFICIALS AND THE YUGOSLAV PUBLIC HAVE BECOME ALMOST EUPHORIC ABOUT THE POSSIBILITIES FOR FURTHER EXPANSION OF OVERALL RELATIONS, PARTICULARLY IN THE ECONOMIC/COMMERCIAL SECTORS.

44. AT PRESENT, THERE ARE NO MAJOR INSOLUBLE PROBLEMS BETWEEN THE UNITED STATES AND YUGOSLAVIA. THE YUGOSLAVS IN LARGE PART ASCRIBE THIS TO THE CARTER ADMINISTRATION'S RECOGNITION OF THE IMPORTANCE OF THE NON-ALIGNED MOVEMENT IN WORLD AFFAIRS AND TO THE YUGOSLAV ROLE IN THAT MOVEMENT. IN ADDITION, THERE RECENTLY HAVE BEEN INCREASED CONSULTA-

TIONS BETWEEN THE TWO COUNTRIES, E.G., TITO-CARTER EX-
CHANGES ON THE SITUATION IN THE HORN OF AFRICA (WHERE
RESPECTIVE POSITIONS WERE VIRTUALLY IDENTICAL) AND IN THE
MIDDLE EAST.

45. WHILE SOVIET-YUGOSLAV RELATIONS AT BOTH THE STATE AND
THE PARTY LEVEL ARE "CORRECT," THERE EVIDENTLY IS DEEP
SUSPICION AND CONCERN AMONG MANY YUGOSLAVS--BOTH OFFICIAL
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AND PRIVATE--REGARDING SOVIET INTENTIONS TOWARD YUGOSLAVIA
IN THE POST-TITO PERIOD. THUS FAR, THE YUGOSLAVS HAVE GEN-
ERALLY BEEN CAREFUL NOT TO ANTAGONIZE THE SOVIETS UNDULY,
BUT THERE ARE NO SIGNS THAT THE BELGRADE REGIME HAS MADE
ANY CONCESSIONS THAT INFRINGE ON YUGOSLAVIA'S TERRITORIAL
INTEGRITY OR INDEPENDENCE. SOVIET-YUGOSLAV RELATIONS HAVE
SHOWN SIGNS OF DETERIORATION OVER YUGOSLAV RESISTANCE TO
SOVIET EFFORTS TO PRESERVE SOVIET LEADERSHIP IN THE INTER-
NATIONAL COMMUNIST MOVEMENT AND OVER THE ACTIVITIES OF
PRO-SOVIET ("COMINFORMIST") ELEMENTS WITHIN YUGOSLAVIA
AND IN EXILE.

46. ALBANIA. THE ALBANIAN REGIME HAS NO DIPLOMATIC TIES
WITH EITHER THE US OR THE USSR. ITS HOSTILE PROPAGANDA
AGAINST BOTH COUNTRIES CHARGES THEM WITH AN ALLEGED
"SAVAGE" ENCIRCLEMENT AND ECONOMIC BLOCKADE AGAINST
ALBANIA. TIRANA HAS CONSIDERED MOSCOW TO BE THE "MAIN
THREAT" EVER SINCE SOVIET PRESENCE IN THE COUNTRY (E.G., A
NAVAL BASE AND ADVISERS) WAS ELIMINATED IN 1961. THE
ALBANIANS HAVE NEVER RESPONDED TO THE APRIL 1973 US OVER-
TURE FOR ESTABLISHMENT OF DIPLOMATIC RELATIONS, BUT THEIR
ATTITUDE AND BEHAVIOR TOWARD THE UNITED STATES IS LESS
HOSTILE THAN TOWARD THE SOVIETS. ALBANIAN CONCERN OVER
THE CONTINUING EFFECTIVENESS OF NATO PERHAPS REFLECTS A
SECRET APPRECIATION OF THE US "UMBRELLA." TIRANA CONDUCTS
AN UNOFFICIAL TRADE WITH THE UNITED STATES AND WELCOMES
AMERICAN TOURISTS OF ALBANIAN DESCENT. SINCE A PLETHORA
OF ALBANIANS HAVE KIN IN THE UNITED STATES, THE TRADITIONAL
RESERVOIR OF GOOD WILL TOWARD THE UNITED STATES CONTINUES
AS STRONG AS EVER AMONG THE ALBANIAN POPULACE. END ANNEX.
VANCE

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